

Topics in Empirical IO

Module 3, 2020-21

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Course information

Course Website: [http: TBA](http://TBA)

Instructor's Office Hours: TBA

Class Time: TBA

Room Number: TBA

TAs: TBA

Course description

The course is dealing with an empirical analysis in Industrial Organization.

Course requirements, grading, and attendance policies

It includes 14 lectures and 6 seminars. The final grade will be based on 2 problem sets (20%) and the final written exam (80%). Problem sets will include both theoretical and practical questions. The knowledge of IO Theory and Applied Econometrics is preferred but is not required.

Course contents

Topic 0. Introduction

Reiss P. C., Wolak F. A. (2007) "Structural Econometric Modeling: Rationales and Examples from Industrial Organization", in *Handbook of Econometrics*, vol 6A.

Topic 1. Oligopoly empirics

Borenstein, S. and A. Shepard (1996) "Dynamic pricing in Retail Gasoline Markets," *Rand Journal of Economics*, 27, 429-451

Ellison, G. (1994) "Theories of Cartel Stability and the Joint Executive Committee," *Rand Journal of Economics*, 25, 37-57

Slade, M. (1987) "Interfirm Rivalry in a Repeated Game: An Empirical Test of Tacit Collusion," *Journal of Industrial Economics*, 35, 499-516

Topic 2. Productivity and Costs

Christensen, L. and W. Greene (1976) "Economies of Scales in U.S. Electric Power Generation," *Journal of Political Economy*, 655-676

Olley, G. and A. Pakes (1996) "The Dynamics of Productivity in the Telecommunications Equipment Industry," *Econometrica*, 64, 1263-1297

Evans, D. and J. Heckman (1984) "A test for Subadditivity of the Cost Function with and Application to the Bell System," *American Economic Review*, 9, 615-623

Topic 3. Differentiated Product Markets

Nevo (2001) "Measuring Market Power in the Ready-to-Eat breakfast Cereal Industry," *Econometrica*, 69, 307-342

Berry (1994) "Estimating Discrete Choice Models of Product Differentiation," *Rand Journal of Economics*, 242-262

Berry, S., J. Levinsohn, and A. Pakes. "Automobile Prices in Market Equilibrium." *Econometrica* 63 (July 1995): 841-890.

Topic 4. Price Discrimination

Aguirregabiria, V. (1999) "The Dynamics of Markups and Inventories in Retailing Firms," *Review of Economic Studies*, 66, 275-308

Shepard A. (1991) "Price Discrimination and Retail Configuration," *Journal of Political Economy*, Spring, 30-53

Goldberg, P. (1996) "Dealer Price Discrimination in New Car Purchases: Evidence from the Consumer Expenditure Survey," *Journal of Political Economy*, 104 (June): 622-654

Topic 5. Entry and Exit

Berry, S. (1992) "Estimation of a Model of Entry in the Airline Industry," *Econometrica*, 60, 889-917

Bresnahan, T. and P. Reiss (1990) "Entry in Monopoly Markets," *Review of Economic Studies*, 57, 531-553

Dunne, T., M. Roberts and L. Samuelson (1988) "Patterns of Firm Entry and Exit in U.S. Manufacturing Industries," *Rand Journal of Economics*, 19, 495-515

Topic 6. Auctions

Porter, R. and D. Zona (1993) "Detection of Bid Rigging in Procurement Auctions," *Journal of Political Economy*, 101, 518-538

Haile, P. and E. Tamer (2003) "Inference with an Incomplete Model of English Auctions," *Journal of Political Economy*, 111(1), 1-51

Donald, S., H. Paarsch and J. Robert “An Empirical Model of the Multi-Unit, Sequential, Clock Auction,” working paper, University of Iowa

Description of course methodology

A typical lecture includes a theoretical part on course material. During the second part of the lecture we discuss applied cases.

Sample tasks for course evaluation

Problem 1. Consider the setting of the Revenue Equivalence Theorem, which was discussed on the lectures. Let private value v of a representative buyer has an exponential distribution with parameter $\lambda > 0$ (pdf is $\lambda \exp(-\lambda v)$). Find the bidding strategies of buyers in ‘all-pay’ auction (every competitor always pays her bid but only the highest-payer wins the object). Suppose we test this model by calculating an expectation of bid conditional on number of bidders n . Let $f(n) = E(b|n)$ be this expectation. What monotonicity properties does the function $f(n)$ have? Hint: Check the paper of Klemperer (1999).

Problem 2. The file Data.xls contains a simulation of bids submitted by 5 bidders (firms) on 1000 procurement auctions. A baseline model presumes that bids should be independent when there is no collusion. It is possible that some two firms cooperate. By checking the independence of submitted bids try to reveal those two firms. Provide a detailed analysis. Hint: Check the paper of Bajari and Ye (2001).

Course materials

Required textbooks and materials

See above.

Additional materials

Cameron, A. Colin and Pravin K. Trivedi “Microeconometrics: Methods and Applications”, (8th edition), Cambridge University Press, 2009

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.